

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6741**

**BILL NUMBER:** HB 1276

**DATE PREPARED:** Dec 15, 1998

**BILL AMENDED:**

**SUBJECT:** Property reassessment delay.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill postpones the general reassessment of real property scheduled to begin July 1, 1999, to July 1, 2000.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The state pays homestead credits based on property tax billings on owner-occupied residential property. The homestead credit is equal to 10% of a homeowner's property tax liability through 2001 and 4% of the liability beginning in 2002. Reassessment generally shifts more of the tax burden onto residential property, thereby increasing the state's liability for homestead credits. A one year delay in reassessment would also delay the state's increased homestead liability by one year.

Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in Homestead credit expenditures would ultimately affect the General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The cost to local government to complete the 1989 reassessment was \$72.2 million. The cost to local government to complete the 1995 reassessment was estimated to be \$68.4 million. Under this proposal, expenditures for performing the next general reassessment would be delayed by one year. Reassessment expenditures are paid from the county Property Reassessment Fund.

**Explanation of Local Revenues:** Under current law, the next general reassessment is scheduled to begin on July 1, 1999 and is to be completed by March 1, 2001 with tax billings first affected in CY 2002. This bill calls for the next reassessment to begin on July 1, 2000 and to be completed by March 1, 2002 which would first affect tax billings in CY 2003. Future reassessments would be held every four years thereafter.

Personal property (business tangible property, inventory and individual personal property) is reported each year on forms prescribed by the State Tax Board. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a shift of the property tax burden each year from real estate taxpayers to personal property taxpayers until reassessment. The length of the reassessment cycle has an effect on the reassessment "shock" that many real property taxpayers experience after a reassessment. After a short cycle, the increase in taxes (or realignment of the shift) due to reassessment is relatively smaller than after a longer cycle.

Local units would receive the same amount of revenue regardless of the effective date of the next general reassessment. It is the source of revenue that changes under reassessment. The only impact to local units would be to their bonding authority. Local units are bound by a constitutional 2% of AV debt limit. Delaying the reassessment would mean that local units would not receive an increase in bonding authority for an additional year.

This proposal also authorizes the State Tax Board and local assessing officials to delay any duty imposed by statute or rule that relates to the next general reassessment. Additionally, the proposed bill voids contracts for professional appraisal services that were entered into before the bill's effect date.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** County Assessors; Township Assessors; All local officials having reassessment duties; all local civil and school taxing units.

**Information Sources:**